

Docket:	: <u>A.09-12-020</u>
Exhibit Number	: <u>DRA-12</u>
Commissioner	: <u>Peevey</u>
ALJ	: <u>Fukutome</u>
Witness	: <u>Campbell</u>



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
Pacific Gas and Electric Company
General Rate Case
Test Year 2011**

Replacement Pages

**Administrative and General Expenses, Part 2 of 4
(Addressing Chapters 8 thru 13 of Exhibit PG&E-6)**

San Francisco, California
July 2, 2010

Revisions to Exhibit DRA-12:

1. p. 3, Table 12-1, Regulatory Relations Dept. percentage revised from 14% and replace with \$12.11
2. p. 17, Table 12-16, Revised DRA Recommended for Acct 920 from \$5,145,609 to \$5,438,523. Difference revised from \$668,294 to \$375,380 and percentage from 12.5% to 7%. Total for DRA Recommended revised from \$7,506,204 to \$7,799,118. Total Difference revised from \$2,465,219 to \$2,172,305 and total percentage revised from 32.84% to 28%
3. p. 18, line 20, strike \$5,145,009 and replace with \$5,438,523.
4. p. 20, Table 12-20, Revised DRA Recommended for Acct 923 Outside Services - Utility from \$5,174,310 to \$5,640,481. Difference revised from \$2,208,570 to \$1,742,399 and percentage from 43% to 31%. Total Difference revised from \$14,066,848 to \$14,533,019 and total percentage revised from 27% to 23%
5. p. 24, Table 12-25, PCC 14024, remove difference amount of \$1,742,399 and replace with \$1,489,227
6. p. 28, Table 12-28, Acct 920 A&G Salaries, percentage revised from 14% and replace with \$12.11%
7. p.29, line 12, strike word "lower" and replace with "higher".

Table 12-1 compares DRA's and PG&E's TY2011 forecasts of Administrative and General expenses:

Table 12-1 (Revised)
Administrative and General Expenses for TY2011
(Whole Nominal \$)

DESCRIPTION (a)	DRA Recommended (b)	PG&E Proposed (c)	Amount PG&E>DRA (d=c-b)	Percentage PG&E >DRA (e=d/b)
Finance Organization	\$18,193,738	\$19,703,316	\$1,509,578	8.30%
Controller's Department	\$21,911,211	21,911,211	\$0	0%
Tax Department	\$0	\$5,978,103	\$5,978,103	100%
Public Affairs	\$7,506,204	\$9,971,423	\$2,465,219	33%
Corporate Relations Dept.	\$14,066,848	17,855,184	\$3,788,336	27%
Regulatory Relations Dept.	\$13,533,385	15,172,862	\$1,639,477	14%
TOTAL	\$80,914,838	\$90,592,099	\$9,677,261	12%

12.11%

III. DISCUSSION / ANALYSIS OF PG&E's A&G DEPARTMENT COSTS

A. Overview

DRA conducted an independent analysis of PG&E's A&G expense forecasts in Exhibit PG&E-6, Chapters 8 through 13. DRA analyzed PG&E's application and exhibit, supporting workpapers, PG&E's data request responses, information provided in meetings, and e-mails with witnesses, and attended field trips to PG&E locations. DRA also spoke with PG&E's A&G expert witnesses to discuss findings and questions pertinent to various data requests and responses. DRA analyzed A&G expenses charged to PG&E's utility line of business (LOB). PG&E provided five years of historical data (2004 through 2008) as well as projections for future years and Test Year 2011. PG&E also provided A&G total 2009 recorded adjusted data for year 2009 for the three main FERC Accounts 920 – A&G Salaries, FERC Account 921 – Office supplies and expenses and FERC Account 923 – Outside Services – Utility. PG&E says it arrived at the 2011 Test Year forecasts by having management review the respective department's 2004-2008 recorded amounts, which were then adjusted by removing any one-time and non-recurring costs, and to reflect a high-level reorganization at the PG&E utility. PG&E management then

unprofitable affiliates and decrease its tax liability. Since being able to write off unprofitable affiliates for tax purposes, it benefits only the Holding Company. DRA believes the Commission should allocate 100% of the Tax Department's cost to PG&E Corporation. Therefore, DRA recommends a \$5,978,103 adjustment to PG&E's A&G expense forecast for the Tax Department.

VII. DISCUSSION / ANALYSIS OF PUBLIC AFFAIRS DEPARTMENT

This section presents DRA's analysis and recommendations regarding PG&E's A&G expense forecast for its Public Affairs Department Costs recorded to FERC Accounts 920, 921 and 923. PG&E says its Public Affairs Department is responsible for communicating with community leaders and public officials at all levels of state and local government and with public officials and governmental agencies within PG&E's service territory as well as in Washington, D.C. PG&E says its Public Affairs Department "helps maximize customer satisfaction, leverage national, state and local environmental leadership, and enable infrastructure development that invests in the future and captures value for PG&E's customers."²⁰

PG&E forecasts \$9,971,423 million of A&G expenses for this department. DRA's forecast is \$7,799,118 which is \$2,172,305 lower than PG&E's forecast.

Table 12-16 compares DRA's recommended with PG&E's proposed A&G expenses estimates for TY 2011.

Table 12-16 CORRECTED
2011 A&G Expenses
Public Affairs Department Costs
(Whole Nominal \$)

Description (a)	PG&E Proposed (b)	DRA Recommended (c)	Difference (\$) PG&E >DRA	%
920 A&G Salaries	\$5,813,903	\$5,438,523	\$375,380	7%
921 Office supplies	\$1,833,080	\$1,270,576	\$562,504	44%
923 Outside Services -Utility	\$2,324,440	\$1,090,019	\$1,234,421	113%
TOTAL	\$9,971,423	\$7,799,118	\$2,172,305	28%

²⁰ Exhibit PG&E-6, Chapter 11, p. 11-1

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VIII. DISCUSSION / ANALYSIS OF CORPORATE RELATIONS

This section presents DRA's analysis and recommendations regarding PG&E's A&G expense forecast for its Corporate Relations Department Costs recorded to FERC Accounts 920, 921 and 923. PG&E says its Corporate Relations Department is PG&E's main source of communications to customers, employees, the media and the general public. Corporate Relations' objective is to provide timely and accurate information about PG&E's utility operations and how they serve the public.²²

Table 12-20 compares DRA's recommended with PG&E's proposed A&G expenses estimates for TY 2011.

Table 12-20 CORRECTED
2011 A&G Expenses
Corporate Relations Department Costs
(Whole Nominal \$)

Description (a)	PG&E Proposed (b)	DRA Recommended (c)	Difference (\$) PG&E >DRA	%
920 A&G Salaries	\$8,436,555	\$7,481,082	\$955,473	13%
921 Office supplies	\$2,035,749	\$1,411,456	\$624,293	44%
923 Outside Services -Utility	\$7,382,880	\$5,640,481	\$1,742,399	31%
TOTAL	\$17,855,184	\$14,533,019	\$3,322,165	23%

A. Overview of PG&E's Request

PG&E says it utilized its historical 2004-2008 recorded expenses and adjusted them by removing any one-time and non-recurring costs to develop its 2011 test year forecast for the Corporate Relations Department. PG&E is requesting a total of \$17.86 million for the test year.

²² Exhibit PG&E-6, Chapter 12, p. 12-1

- PCCs 10304, 14055 & 14056 Internal Communications
- PCC 10311 Corporate Relations

DRA agrees with PG&E's 2011 forecast for the PCCs named above and recommends \$5,640,481 for FERC Account 923 which is \$1,742,399 or 44.23% less than PG&E's 2011 forecast.

Table 12-25 compares DRA's recommended with PG&E's proposed A&G expenses for FERC Account 923 Outside Services.

Table 12-25 (Revised)
A&G Expenses
Comparison FERC Account 923 Outside Services
(Whole Nominal \$)

	DEPARTMENT	TY 2011 PG&E (a)	TY 2011 DRA (b)	Difference (a-b)	Percentage
PCC No.	ACCT 923				
20065	CORPORATE RELATIONS SVP	0	0	0	0%
10313	ADVERTISING	245,000	80,000	165,000	206.25%
12285	CUSTOMER COMMUNICATIONS	2,348,083	2,259,911	88,172	3.90%
10314, 13693	EXTERNAL COMMUNICATIONS	827,949	827,949	0	0%
10304, 14055, 14056	INTERNAL COMMUNICATIONS	1,557,168	1,557,168	0	%0
14024	ONLINE STRATEGIC COMMUNICATIONS	2,043,573	554,346	1,742,399	268.7%
10311	CORPORATE RELATIONS	361,107	361,107	0	%0
TOTAL		7,382,880	5,640,481	1,742,399	31%

\$1,489,227

1. DRA's Adjustment to PCC10313– Advertising Department – FERC Account 923 Outside Services

PG&E's Advertising Department is responsible for delivering information to customers by different mass market communication channels. These channels may include television, radio, print, online and community outreach programs and events. PG&E says its advertising features many of the forms of renewable energy including solar, wind, wave and methane capture from livestock. PG&E says this department also engages in safety-related advertising during critical weather periods.²⁴

²⁴ Exhibit PG&E-6, Chapter 12, p. 12-12

IX. DISCUSSION / ANALYSIS OF REGULATORY RELATIONS

This section presents DRA's analysis and recommendations regarding PG&E's A&G expense forecast for its Regulatory Relations Department Costs recorded to FERC Accounts 920, 921 and 923. PG&E says its Regulatory Relations Department is responsible for advocating PG&E's business needs to PG&E's state and federal regulators. PG&E says that Regulatory Relations' objective is to support the Company's operating lines of business by providing regulatory expertise, assistance in strategy development, and regulatory case management.³²

Table 12-28 compares DRA's recommended with PG&E's proposed Regulatory Relations Department A&G expenses estimates for TY 2011.

Table 12-28 (Revised)
2011 A&G Expenses
Regulatory Relations Department Costs
(Whole Nominal \$)

Description (a)	PG&E Proposed (b)	DRA Recommended (c)	Difference (\$) PG&E > DRA	%
920 A&G Salaries	\$13,307,363	\$11,667,886	\$1,639,477	44%
921 Office supplies	\$825,597	\$825,597	\$0	0%
923 Outside Services -Utility	\$1,039,902	\$1,039,902	\$0	0%
TOTAL	\$15,172,862	\$13,533,385	\$1,639,477	12.11%

12.11%

A. Overview of PG&E's Request

PG&E says it utilized its historical 2004-2008 recorded expenses and adjusted amounts by removing any one-time and non-recurring costs to develop its 2011 test year forecast for FERC Accounts 920 A&G Salaries, Account 921 Office Supplies and expense, and Account 923 Outside Services.

PG&E also presented as part of its Regulatory Relations Department, the scope of two Information Technology Projects ("IT Projects") requested for this department. However, the cost associated with each IT Project is included in Exhibit (PG&E-7). DRA analyzed and reviewed the IT Projects presented by PG&E in this

³² Exhibit PG&E-6, Chapter 13, p.13-1

department and the costs associated with these IT Projects are discussed in Exhibits DRA-15 and DRA-16.

PG&E's forecasts \$15,172,862 million of A&G expenses for this department. DRA's forecast is \$13,533,385 which is \$1,639,477 lower than PG&E's forecast.

B. FERC Account- 920 A&G Salaries

Table 12-29
2004-2009 Recorded Data for FERC Account 920
(Whole Nominal \$)

Description	2004	2005	2006	2007	2008	2009
Account 920	\$10,792,809	\$11,209,670	\$11,149,843	\$11,692,022	\$11,399,173	\$11,667,885
Total	\$10,792,809	\$11,209,670	\$11,149,843	\$11,692,022	\$11,399,173	\$11,667,885

Source: 2004-2008 data from Exhibit PG&E-6, Workpapers Supporting Chapter 13, Page WP 13-6.
2009 data from DRA-122-CKT Supp01Atch03 03/18/2010

PG&E forecasted \$13,307,363 in 2011 for its FERC Account 920- A&G Salaries, which is \$1,908,190 ^{HIGHER} ~~lower~~ than 2008 recorded expenses of \$11,399,173. DRA reviewed PG&E's historical expenses, Test Year estimate and 2009 recorded adjusted expensed provided in response to DRA-122-CKT. PG&E's recorded expenses to FERC Account 920 have remained stable during the last five years. Therefore, DRA recommends \$11,667,885 which is PG&E's 2009 recorded expenses amount to be use as a basis amount for TY 2011 for FERC Account 920.

C. FERC Account- 921 Office Supplies and Expenses

Table 12-30
2004-2009 Recorded Data for FERC Account 921
(Whole Nominal \$)

Description	2004	2005	2006	2007	2008	2009
Account 921	\$688,123	\$801,987	\$902,822	\$1,133,924	\$1,148,977	\$1,225,401
Total	\$688,123	\$801,987	\$902,822	\$1,133,924	\$1,148,977	\$1,225,401

Source: 2004-2008 data from Exhibit PG&E-6, workpapers Supporting Chapter 13, Page WP 13-6.
2009 data from DRA-122-CKT Supp01Atch03 03/18/2010

PG&E forecasted \$825,597 in 2011 for its FERC Account 921- Office Supplies and Expenses, which is \$323,380 lower than 2008 recorded expenses of \$1,148,977. DRA reviewed PG&E's historical expenses, Test Year estimate and